

# 7. Farm and Foreign Agricultural Services

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The Farm and Foreign Agricultural Services mission area includes three agencies: the Farm Service Agency (FSA), the Foreign Agricultural Service (FAS), and the Risk Management Agency (RMA). This mission area serves production agriculture, helping to keep America's farmers and ranchers in business as they face the uncertainties of weather and markets.

These agencies deliver commodity, credit, conservation, and emergency assistance programs that help improve the stability and strength of the agricultural economy, expand overseas markets for U.S. agricultural products, and promote world food security. They also sanction the provision by the private sector of a broad-based crop insurance program and other risk management tools.

The ongoing evolution of the Farm and Foreign Agricultural Services mission area, through reorganization, crop insurance reform, and farm program changes, has profoundly altered the way it operates. The Federal Agriculture Improvement and Reform Act of 1996 replaced the traditional Federal role in some farm programs with the economic forces of the marketplace. The management of risk in this volatile setting has moved more fully to an emerging partnership between Government and the private sector.

The public interest calls for a dynamic, efficient agriculture that provides a sustainable, safe, and affordable food and fiber supply. The challenge is to serve this public interest at a time of diminishing resources and a decreased role for the Federal Government.

## ■ Farm Service Agency

### FSA Mission

The FSA mission is to ensure the well-being of American agriculture and the American public through efficient and equitable administration of agricultural commodity, farm loan, conservation, environmental, emergency assistance, and domestic and international food assistance programs.

The FSA home page can be found at <http://www.fsa.usda.gov>

### FSA Vision

FSA is a customer-driven agency with a diverse and multi-talented workforce, empowered and accountable to deliver programs and services efficiently, and dedicated to promoting an economically viable and environmentally sound American agriculture.



## What Is FSA?

FSA was established when USDA was reorganized in 1994, incorporating programs from several agencies, including the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation (now a separate Risk Management Agency), and the Farmers Home Administration. Though its name has changed over the years, the agency's relationship with farmers dates back to the 1930's.

At that time, Congress set up a unique system under which Federal farm programs are administered locally. Farmers who are eligible to participate in these programs elect a three- to five-person county committee that reviews county office operations and makes many of the decisions on how to administer the programs. This grassroots approach gives farmers a much-needed say in how Federal actions affect their communities and their individual operations. After more than 60 years, it remains a cornerstone of FSA's efforts to preserve and promote American agriculture.

## 1996 Act

The 1996 Farm Bill significantly changed U.S. agricultural policy by removing the link between income support payments and farm prices. Farmers who participated in the wheat, feed grains, cotton, and rice programs in any one of the previous 5 years could enter into 7-year production flexibility contracts and receive a series of fixed annual "transition payments." These payments are independent of farm prices and specific crop production, in contrast to the past, when deficiency payments were based on farm prices and the production of specific crops.

The Federal Government no longer requires land to be idled, nor does it deny payments if farmers switch from their historical crops. The contract, however, requires participating producers to comply with existing conservation plans for the farm, wetland provisions, and planting flexibility provisions, and to keep the land in agricultural uses.

The law provided for a one-time signup, which ended August 1, 1996, for producers to enter into production flexibility contracts. There will be no additional signups except for land coming out of the Conservation Reserve Program. Farmers who entered into a contract are also eligible for market transition loans at local FSA offices.

## Marketing Assistance Loan Programs

FSA administers commodity loan programs for barley, corn, honey, grain sorghum, mohair, oats, oilseeds, peanuts, rice, sugar, tobacco, wheat, upland and extra-long-staple cotton.

The agency provides the operating personnel for the Commodity Credit Corporation (CCC), which provides assistance with respect to products of certain agricultural commodities through loans and purchases. This provides farmers with interim financing and helps maintain balanced and adequate supplies of farm commodities and their orderly distribution throughout the year and during times of surplus and scarcity.



Instead of immediately selling the crop after harvest, a farmer who grows an eligible crop can store the commodity and take out a “nonrecourse” loan for its value, pledging the crop itself as collateral. Nonrecourse means that the producer can discharge debts in full by forfeiting or delivering the commodity to the Government.

The nonrecourse loan allows farmers to pay their bills and other loan payments when they become due, without having to sell crops at a time of year when prices tend to be at their lowest. Later, when market conditions are more favorable, farmers can sell crops and repay the loan with the proceeds. Or, if the prevailing price of the crop remains below the loan level set by CCC, farmers can keep loan proceeds and forfeit the crop to CCC instead. The repayment rate may also be reduced by USDA to minimize the costs of storing commodities and to allow commodities produced in the United States to be marketed freely and competitively, both domestically and internationally.

CCC loan rates are designed to keep crops competitive in the marketplace. A producer must have entered into a production flexibility contract to be eligible for nonrecourse marketing assistance loans for wheat, feed grains, rice, and upland cotton. Any production of a contract commodity by a producer who has entered into a production flexibility contract is eligible for loans.

Nonrecourse loans are also available for extra-long-staple cotton, oilseeds, peanuts, tobacco, raw cane sugar, and refined beet sugar, regardless of whether the producer has entered into a production flexibility contract. Price support for the marketing quota crops—tobacco and peanuts—is made available through producer loan associations. By law, these programs must operate at no net cost to the U.S. Treasury, and no-net-cost and marketing assessments are applied to both producers and purchasers.

## Commodity Purchase Programs

Forfeitures under nonrecourse commodity loan programs are not the only means by which CCC acquires inventory. Under the dairy price support program, CCC buys surplus butter, cheese, and nonfat dry milk from processors at announced prices to support the price of milk. These purchases help maintain market prices at the legislated support level. This program was to be replaced in 2000 with a recourse loan program. However, the 2000 Act extended the dairy price support program until 2001.

CCC can store purchased food in over 10,000 commercial warehouses across the Nation approved for this purpose. However, commodity inventories are not simply kept in storage. FSA employees work to return stored commodities to private trade channels. At the agency’s Kansas City Commodity Office in Kansas City, Missouri, FSA merchandisers regularly sell and swap CCC inventories using commercial telecommunications trading networks.

Beyond the marketplace, CCC commodities fill the need for hunger relief both in the United States and in foreign countries. FSA employees work closely with USDA’s Food and Nutrition Service to purchase and deliver foods for the National School Lunch and many other domestic feeding programs. When donated to “Food for Peace,” and programs administered by voluntary organizations, these U.S. farm products and foods help USDA fight hunger worldwide.



## Disaster Assistance Available From FSA

The Noninsured Crop Disaster Assistance Program (NAP) provides eligible producers of eligible crops with protection comparable to the catastrophic risk protection plan of crop insurance (see Risk Management Agency). It helps reduce production risks faced by producers of crops for which Federal crop insurance is not available. It also reduces financial losses that occur when natural disasters cause a catastrophic loss of production or prevented planting of an eligible crop.

Eligible crops include certain commercial crops or other agricultural commodities (except livestock):

- for which catastrophic risk protection under section 508(b) of the Federal Crop Insurance Act is not available; and
- that are produced for food or fiber.

Crops specifically included by statute include floricultural, ornamental nursery, and Christmas tree crops, turfgrass sod, seed crops, aquaculture (including ornamental fish), and industrial crops.

When damage to a crop or commodity occurs as a result of a natural disaster, producers requesting NAP assistance must meet certain requirements.

## Emergency Loans

FSA provides emergency loans to help cover production and physical losses in counties declared disaster areas by the President or designated by the Secretary of Agriculture or the FSA Administrator (physical loss loans only). Emergency loans also are available in counties contiguous to such disaster areas. These loans are made to qualifying established family farm operators. Loans for crop, livestock, and non-real-estate losses are normally repaid in 1 to 7 years, and in special circumstances, up to 20 years. Loans for physical losses to real estate and buildings are normally repaid in 30 years, and in special circumstances, up to 40 years.

## Other Emergency Assistance

In the aftermath of a natural disaster, FSA makes available a variety of emergency assistance programs to farmers in counties that have been designated or declared disaster areas.

FSA has several programs that are activated, usually by congressional action, during certain types of disasters. Among these are the Tree Assistance Program, which provides payments to eligible tree and vineyard growers who incurred losses due to natural disasters, including losses caused by freeze, excessive rainfall, floods, drought, tornado, and earthquakes.

Another such program, the Livestock Indemnity Program, helps livestock producers who suffered losses from recent natural disasters. It provides a partial reimbursement to eligible producers for livestock losses.

The Dairy Production Disaster Assistance Program helps dairy producers who suffered losses from natural disasters by providing a partial reimbursement for milk losses.

The Small Hog Operation Payment Program involved direct cash payments made to small hog producers to help them weather economic crisis. USDA estimated that 80-90 percent of producers, or nearly 100,000 nationwide, were eligible for these payments.



In the event of a national emergency, FSA is responsible for ensuring adequate food production and distribution, as well as the continued availability of feed, seed, fertilizer, and farm machinery.

## Emergency Conservation Program

The Emergency Conservation Program provides emergency cost-share funding for farmers to rehabilitate farmland damaged by natural disasters that create new conservation problems which, if not treated, would:

- impair or endanger the land,
- materially affect the productive capacity of the land,
- represent unusual damage which is not the type likely to recur frequently in the same area,
- be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use.

The assistance may be used for: removing debris from farmland; grading, shaping, and re-leveling farmland; restoring livestock fences; and restoring irrigation structures.

## Farm Loans

FSA offers direct and guaranteed farm ownership and operating loan programs to farmers who are temporarily unable to obtain private, commercial credit and who meet other regulatory criteria. Often, these are beginning farmers who cannot qualify for conventional loans because they have insufficient net worth. The agency also helps established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations.

Under the guaranteed farm loan program, the agency guarantees loans made by conventional agricultural lenders for up to 95 percent of principal, depending on the circumstances. The lender may sell the loan to a third party; however, the lender is always responsible for servicing the loan. All loans must meet certain qualifying criteria to be eligible for guarantees, and FSA has the right to monitor the lender's servicing activities. Farmers interested in guaranteed loans must apply to a conventional lender, who then arranges for the guarantee.

For those unable to qualify for a guaranteed loan, FSA also lends directly. Direct loans are made and serviced by FSA officials who also provide borrowers with supervision and credit counseling. Funding authorities for direct loans are limited, and applicants may have to wait until funds become available. To qualify for a direct farm ownership or operating loan, the applicant must be able to show sufficient repayment ability, pledge enough collateral to fully secure the loan, and meet other regulatory criteria.

## Conservation Programs

The Conservation Reserve Program (CRP) protects our most fragile farmland by encouraging farmers to stop growing crops on highly erodible and other environmentally sensitive acreage. In return for planting a protective cover of grass or trees on vulnerable property, the owner receives a rental payment each year of a multi-year contract. Cost-share payments are also available to help establish permanent areas of



grass, legumes, trees, windbreaks, or plants that improve water quality and give shelter and food to wildlife.

In the 18th CRP signup, held in 1998, about 5 million acres of land were accepted into the program. The accepted acreage includes 3.2 million acres of highly erodible land, almost 2.8 million acres of land located within conservation priority areas, over 450,000 acres of wetland and protective upland acres, and 217,000 acres to be restored to rare and declining habitats. Also, bids involving over 102,000 acres of long leaf pine habitat were accepted.

Another conservation program, the Conservation Reserve Enhancement Program, is part of the CRP. This program shields millions of acres of American topsoil from erosion by encouraging the planting of protective vegetation. By reducing wind erosion as well as runoff and sedimentation, it also protects air and groundwater quality and helps improve countless lakes, rivers, ponds, streams, and other bodies of water.

State governments have the opportunity to participate in this groundbreaking environmental improvement effort. USDA provides incentives to agricultural producers to participate, while State governments contribute specialized local knowledge, technical help, and financial assistance. The result is an environmental enhancement effort tailored to the specific environmental needs of each State.

FSA works with USDA's Natural Resources Conservation Service and other agencies to deliver other conservation programs, including the Environmental Quality Incentives Program (EQIP). EQIP helps farmers and ranchers improve their property to protect the environment and conserve soil and water resources. Participants can take advantage of education in new conservation management practices, technical support, cost-share assistance, and incentive payments.

### Where To Get More Information on FSA Programs

- Further information and applications for the programs described in this chapter are available at local FSA offices. These are usually listed in telephone directories in the section set aside for governmental/public organizations under "U.S. Department of Agriculture, Farm Service Agency." FSA State offices supervise the agency's local offices and are usually located in the State capital or near the State land-grant university.
- For information on commodity sales and purchases, contact:  
USDA FSA Kansas City Commodity Office  
P.O. Box 419205  
Kansas City, MO 64141-6205  
Telephone: 816-926-6364
- FSA's aerial photographs of U.S. farmlands are used extensively by Government and private organizations and the public. Order forms and an index are available from FSA local offices. For more information on photographic services, including high-altitude photography, contact:  
USDA FSA Aerial Photography Field Office  
2222 West 2300 South  
Salt Lake City, UT 84119-2020  
Telephone: 801-975-3500



## Success Stories

### ***Dialing for Hog Relief***

*In an effort to reach out to struggling hog producers, employees from several USDA agencies created and staffed an “800” number for farmers to get information on FSA’s Small Hog Operation Payment (SHOP) Program. The workers answered questions on application procedures and qualifications from several hundred hog farmers. Fifty million dollars was provided to financially suffering hog farmers through direct cash payments.*

### ***“Hay Net” Aids Drought-Distressed Livestock***

*In August 1998 a new program was initiated to match farmers and ranchers without enough hay to feed their drought-distressed livestock with those who had surplus hay. Those in need registered at FSA’s local offices and received a list of the closest producers with hay to spare, and vice versa. Farmers then could contact each other and make appropriate arrangements. It was a good example of farmers helping farmers, and a great tool for getting hay where it was needed as quickly and efficiently as possible.*

### ***Louisiana FSA Helps Fulfill a Dream***

*John Jenkins worked at local dairies in Louisiana for most of his life, and he wanted to operate his own dairy farm. With the assistance of a FSA county committee member, Jenkins was able to apply for and receive a loan to help him get started. His new farm is one of just seven minority-operated dairies in the State, which had 581 dairies in 1997.*

### ***Gleaning Success***

*FSA won first place in the 1998 USDA Food Drive, collecting 277,628 pounds of food, more than twice as much as its goal of 100,000 pounds and more than any other USDA agency. The food was donated to food banks, churches, homeless shelters, and soup kitchens.*

### ***A Green Thumb Up for a Youth Loan Borrower***

*Missourian Holly Norman always was fascinated with growing plants and flowers. She wanted to start up a greenhouse business, but, being only 14, couldn’t get funds from a commercial institution.*

*She went to FSA’s Polk County office to check out loan possibility. Her plan of operation was found to be top notch, and she got her loan, naming her business the Little Bit of Garden. She got two greenhouses built and stocked them with landscaping, vegetable, bedding, and house plants. Holly tends to her business every day and knows, even though her family helps out, that the responsibility for her loan repayment is hers. Any profit she makes goes toward repaying the loan, and FSA is sure she’ll make a great business owner.*